

Message Text

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ACTION OPIC-12

INFO OCT-01 EA-11 ISO-00 EB-11 L-03 AID-20 SIL-01 LAB-06

OMB-01 TRSE-00 INR-10 CIAE-00 NSAE-00 /076 W

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R 200656Z FEB 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 912

INFO USDOC WASHDC

AMCONSUL SURABAYA

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DEPT PLEASE PASS OPIC

EO 11652: N/A

TAGS: BFOL,EIND,ID

SUBJECT: MAX FACTOR INDONESIA SHUTS DOWN

REF : JAKARTA 0093 (NOTAL)

1. EMBASSY RECEIVED COPY OF LETTER ON FEBRUARY 19 DATED 1 FEBRUARY 1974 FROM F. R. WHETZEL, GENERAL MANAGER MAX FACTOR INDONESIA ADDRESSED TO CHAIRMAN, GOI COORDINATING AGENCY FOR CAPITAL INVESTMENT STATING EXTRAORDINARY MEETING OF MAX FACTOR INDONESIA SHAREHOLDERS ON JANUARY 30, 1974 ADOPTED "RESOLUTION DISSOLVING THE CORPORATION". LETTER INDICATES KEY TO LACK OF PROFITABILITY WAS GOI LIMITATION TO MANUFACTURING ONLY AND PROHIBITION ON DISTRIBUTION OF MAX FACTOR PRODUCTS BY MAX FACTOR INDONESIA (REFTEL). PLANT WILL TERMINATE PRODUCTION "END OF MARCH" AND FINAL AUDIT WILL BE JUNE 31 LETTER ALSO INDICATES COMPANY WILL REQUEST PERMISSION TO DISMISS 41 EMPLOYEES COMPLYING WITH GOI REGULATIONS CONCERNING DISMISSAL OF EMPLOYEES.

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2. LETTER HAD ATTACHED COPY OF SUMMAY MINUTES OF
SPECIA
SHAREHOLDERS MEETING, DATED FEBRUARY 11
OUTLINING RATIONALE FOR CLOSING PROJECT. SUMMARY
NOTES THAT MAX FACTOR INDONESIA HAD "SHOWN A LOSS
FROM THE BEGINNING OF OPERATION" AND HAD BEEN ABLE
REPAY ONLY \$10,000 ON \$300,000 LOAN FROM PARENT
COMPANY IN U.S. SUMMARY ALSO POINTS OUT HIGH IMPORT
DUTIES ON RAW MATERIALS AND PACKAGING MATERIALS PLUS
SMUGGLING FROM SINGAPORE WERE ADDITIONAL FACTORS IN
MAKING PROJECT UNPROFITABLE.

3. COPIES OF LETTER AND ITS ENCLOSURES BEING POUCHED
UNDER COVER OF AIRGRAM.

4. COMMENT: THUS FAR THERE HAS BEEN NO PRESS REPORT
OF MAX FACTOR DECISION. DESPITE AWARENESS BY INVESTORS
AND GOI OF MAX FACTOR'S PROBLEM FOR SOME TIME, WE BELIEVE
THAT WHEN THIS ACTION BECOMES PUBLIC KNOWLEDGE IT WILL
ADD TO THE GROWING, ALBEIT MUTED, CONCERN WE HAVE
VERY LATELY BEGUN TO HEAR FROM FOREIGN INVESTORS
AFN THOS CONTEMPLATING INVESTMENT, ABOUT THE CHANGES
IN INVESTMENT CLIMATE GROWING OUT OF JANUARY DISTURBANCES
AND GOI INVESTMENT POLICY PRONOUNCEMENTS PURSUANT TO
THOSE DISTURBANCES. WE KNOW OF NO RPT NO ONE WHO HAS
BACKED OFF COMPLETELY BUT SOME FIRMS WHO HAVE BEEN
EXPENDING TIME, MANPOWER AND MONEY IN ANTICIPATION
OF MAKING A GO OR NO GO DECISION TO INVEST ARE
PLACING INDONESIA
IN A "HOLD PATTERN" UNTIL THE
MURKINESS CLEARS SUFFICIENTLY TO MAKE A FINAL DECISION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, COSMETICS, INDUSTRIAL PLANTS, FOREIGN INVESTMENTS, PERSONNEL SEPARATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Review Exemptions: n/a
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Review Markings:

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TAGS: BFOL, EIND, ID, MAX FACTOR
To: STATE
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